

Cal HFA California Housing Finance Agency

## Fiscal Year 2018-19 Business Plan & Operating Budget

May 10, 2018

www.calhfa.ca.gov

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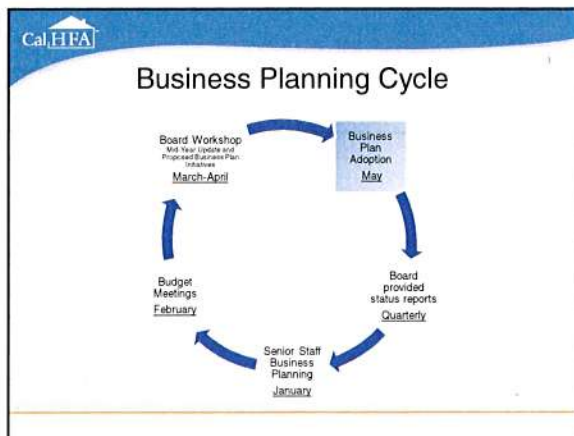
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Cal HFA

### Business Planning Perspective

- Business Planning Successes
  - Single Family
  - Multifamily
- Multifamily Challenges
  - Tax Reform
  - New Federal Administration
  - Rising Interest Rates
- New Approach in Goal Setting for Multifamily
- Focus – Execution and Refinement

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Single Family Lending Programs			
Lend Volume	FY 2017-18 Goals	FY 2017-18 Revised	FY 2018-19 Proposed
First Mortgage Program	\$1.5B	\$1.6B	\$1.5B
Subordinate Lending	\$108M	\$110M	\$112M
<b>Totals</b>	<b>\$1.6B</b>	<b>\$1.7B</b>	<b>\$1.6B</b>

Revenue Generation	FY 2017-18 Goals	FY 2017-18 Revised	FY 2018-19 Proposed
First Mortgage Program	\$16.8M	\$19.6M	\$16.5M
Subordinate Lending	\$2.7M	\$2.9M	\$2.8M
<b>Totals</b>	<b>\$19.5M</b>	<b>\$22.5M</b>	<b>\$19.3M</b>

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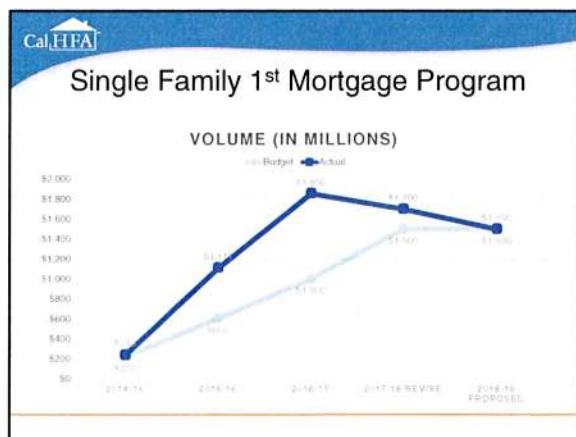
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Menu of loan products and clients			
	FHA	Fannie	VA
<b>FY 2017-18 Additions</b> <ul style="list-style-type: none"> <li>Manufactured Housing</li> <li>VA</li> <li>Home Improvement*</li> <li>Community Land Trusts</li> <li>Leaseholds</li> </ul>			
	Oct-17		Nov-17
	Feb-18	Feb-18	
	Feb-18	---	
<b>New Initiatives</b> <ul style="list-style-type: none"> <li>Disaster Victims</li> <li>Indian Reservations</li> <li>Refinancing</li> <li>Fannie's Duty to Serve</li> </ul>			
	June-18	---	---
	Q3-18		
	Q4-18		
	FY 2018-19		

\* FHA's Limited 203(k) enables homebuyers to finance up to \$35K into their mortgage loan to repair and/or improve their new home.

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**CalHFA**

**Goal #1** - Increase the Agency's future income and equity position by expanding single family and multifamily lending activities consistent with State housing needs

**Generate income via multifamily lending opportunities while addressing funding gaps in the capital market.**

- Targeting \$150 million in 1<sup>st</sup> lien lending, \$250 million in conduit issuance and \$15 million in Special Needs Housing Program (SNHP) lending
- Targeting \$12 million in present value revenue generation for all Multifamily programs
- Continue to expand efforts with Naturally Occurring Affordable Housing, extend presence in rural areas and to build partnerships with localities, Community Development Financial Institutions and private banks
- Develop "Missing Middle" and "Mixed Income" Multifamily lending options using funding from Senate Bill 2, the Building Homes and Jobs Act

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**CalHFA**

**Multifamily Lending Programs**

Lend Volume	FY 2017-18 Goals	FY 2017-18 Revised (May)	FY 2018-19 Proposed
Lending Programs	\$200M	\$140M	\$150M
Conduit Loan Program	\$300M	\$225M	\$250M
Special Needs Housing (Formerly MHSA)	\$30M	\$15M	\$15M
<b>Totals</b>	<b>\$530M</b>	<b>\$380M</b>	<b>\$415M</b>

Revenue Generation	FY 2017-18 Goals	FY 2017-18 Revised (May)	FY 2018-19 Proposed
Lending Programs	\$11.4M	\$8.0M	\$9.8M
Conduit Loan Program	\$0.8M	\$0.8M	\$0.8M
Special Needs Housing (Formerly MHSA)	\$3.5M	\$1.3M	\$1.3M
<b>Totals</b>	<b>\$15.7M</b>	<b>\$10.1M</b>	<b>\$11.9M</b>

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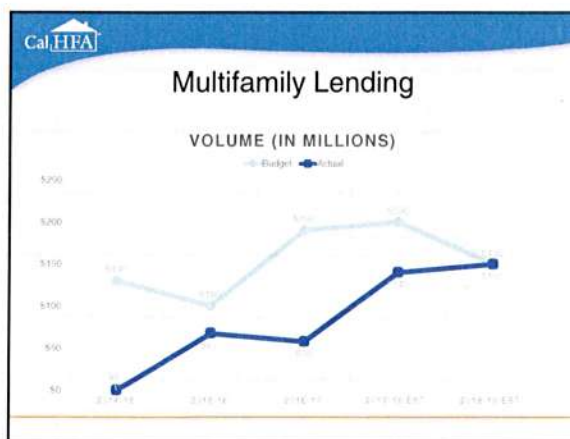
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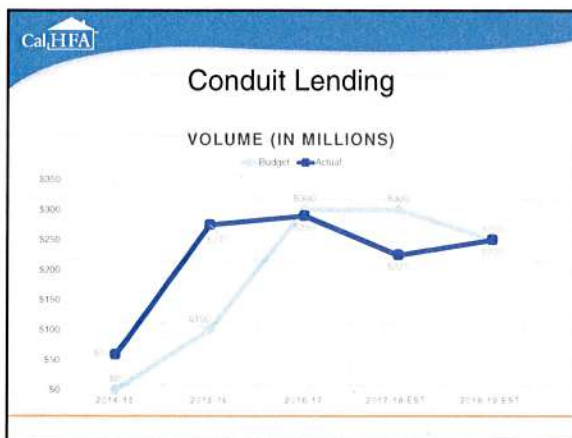
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### Current Multifamily Pipeline

- Current pipeline for First Lien Lending \$410 million.
  - \$290 million – Permanent Take Out
  - \$100 million – Acquisition/Rehab
  - \$20 million – Portfolio Refinance
- \$140-160 million projected to close FY 18-19
- Conduit Pipeline over \$300 million
  - Projections allow for fall out
- MHSA - estimated \$15 million but very dependent on local submissions.

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CalHFA

### FY18/19 Multifamily Program Initiatives

- Design and Roll-out of SB 2 Funded - Missing Middle
  - Listening sessions in process
  - Funding available end of Fiscal Year
- Add to the tool box with new partnerships/products
  - Federal Home Loan Bank
  - Freddie Mac
  - 35 year term / 17 year amortization

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**CalHFA**

### FY18/19 Multifamily Program Initiatives

- Increase Rural Lending
- Continued Efficiencies in Asset Management
- Local Partnerships
- Surplus Land

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**CalHFA**

**Goal #1** - Increase the Agency's future income and equity position by expanding single family and multifamily lending activities consistent with State housing needs

Strengthen Agency financial position by expanding credit facilities and maximizing return on equity.

- Renew letters of credit for variable rate demand obligation bonds
- Work with our partners at the Federal Home Loan Bank of San Francisco to expand the use and eligible collateral on our credit facility to include multifamily loans

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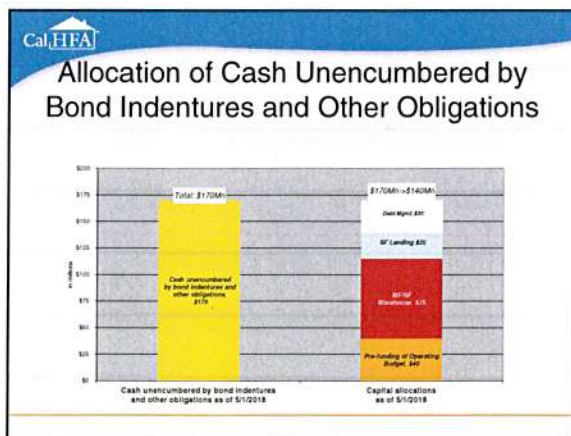
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**CalHFA**

**Goal #2** - Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices

**Increase Operational Efficiencies**

- Complete Phase III of the upgrade to the Agency's Financial System (GP) to enhance the efficiency of fiscal and budgetary operations and to automate manual processes
- Implement a new multifamily loan servicing system and analyze the efficacy and opportunity for deploying new systems for multifamily loan origination and asset management activities
- Fill key senior management vacancies including the General Counsel, the Director of Legislation and the Director of Business and Governmental Affairs

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**CalHFA**

**Goal #2** - Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices

**Continuously monitor and employ long-term strategies to mitigate enterprise risks.**

- Standardize data & reporting and evaluate opportunities to improve systems and applications to support CalHFA business units

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**CalHFA**

**Goal #3** - Collaborate with other housing entities and stakeholders to deliver effective and innovative housing solutions

**Increase opportunities to meet California's affordable housing needs**

- Research and implement intergovernmental agreements to share performance and compliance data on regulated loans
- Continue to monitor state & federal policy and advocate with U.S. Treasury for continued support of Federal Financing Bank (FFB) financing program

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**CalHFA**

**Goal #4** - Help prevent avoidable foreclosures by providing assistance to eligible homeowners who have financial hardship

**Effectively Wind Down KYHC program**

- Ensure remaining funds are allocated and develop management plans for closure of the Central Processing Center and available post-closure funds

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**CalHFA**

### KYHC Program Results

- Results (As of April 30, 2018)
  - 81,000+ Households have qualified
  - \$2 Billion in assistance provided
  - 95% of available funds have already been provided
  - California has provided more than twice as much assistance to homeowners as any other HHF state
  - Economic impact of \$3 billion from 2010-2016
- KYHC will get all California HHF funds out to qualifying homeowners ahead of the sunset date and remain under budget with administrative costs**

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**CalHFA**

### KYHC Program Detailed Results

Program	Count	%	Fund \$ (1)	Involved \$ (2)	Held \$ (3)	Total	Total Allocation	% of Allocation Spent
USAA	55,293	68.2%	\$948,272,686	\$12,176,935	\$80,054,052	\$1,038,503,712	\$1,038,503,712	100.0%
USAA Total	55,293	68.2%	\$948,272,686	\$12,176,935	\$80,054,052	\$1,038,503,712	\$1,038,503,712	100.0%
PRP Total	13,100	16.2%	\$210,089,930	\$948,485	\$0	\$211,048,930	\$210,089,930	99.5%
Tot	68,393	84.4%	\$1,158,362,616	\$13,125,420	\$80,054,052	\$1,251,542,138	\$1,248,593,642	99.8%
Revised	797	0.9%	\$0,819,134	\$76,474	\$158,952	\$1,054,565	\$1,054,565	100.0%
<b>Total</b>	<b>69,190</b>	<b>85.3%</b>	<b>\$1,159,181,750</b>	<b>\$13,201,894</b>	<b>\$80,213,004</b>	<b>\$1,252,596,648</b>	<b>\$1,249,648,207</b>	<b>99.8%</b>

(1) Amount funded over all quarters  
 (2) Amount involved in this case status (excludes for all disbursement in upcoming quarters)  
 (3) Amount scheduled to be funded in subsequent months (held status or suspended due to pending change in household status)

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 **KYHC Program Wind-down**

- Key Assumptions
  - 100% of HHF funds available for assistance will be provided
  - CalHFA MAC will not exceed its Administrative Expense Budget

*CalHFA MAC will use a portion of the \$90m+ payoff revenue to help ensure 100% of allocated HHF funds available for assistance are utilized and the Administrative Expense Budget is not exceeded*

- KYHC expects to take final applications **June 29, 2018**
- All four first mortgage programs will be available until the final date
- Fundings will continue beyond final application date, but all counseling sessions must be complete by June 29, 2018
- CPC will remain open for several months after the last application date
- After CPC closes, CalHFA MAC will handle KYHC issues

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 **KYHC Wind-down Timeline**

- Early May, 2018 – Notice to staff and business partners of Program wind-down
- June 29, 2018 - Last Homeowner Action Plan (HAP) (Application)
- July 2, 2018 – First of CPC Reductions in Force. Remainder to occur by November, 2018
- 3<sup>rd</sup> Quarter, 2018 – Final PRP & MRAP disbursements
- 4<sup>th</sup> Quarter, 2018 – End of Springboard agreement. Operations functions move from CPC to CalHFA MAC
- 1<sup>st</sup> Quarter, 2020 – Final UMA disbursements
- 2<sup>nd</sup> Quarter, 2020 – End of services required under the HFA Participation Agreement (HPA) and HHF funds swept back to Treasury
- Post-Treasury Sweep – Any returned funds from lien payoffs will be controlled by the Agency

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 **FY 2018-19  
Business Plan**

**Questions?**

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CalHFA California Housing Finance Agency

## CalHFA Operating Budget Fiscal Year 2018-19

[www.calhfa.ca.gov](http://www.calhfa.ca.gov)

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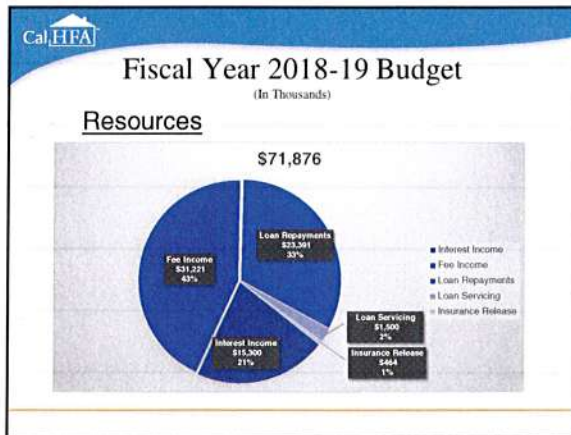
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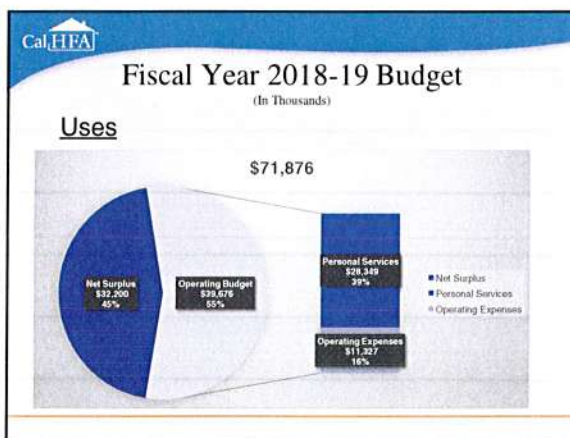
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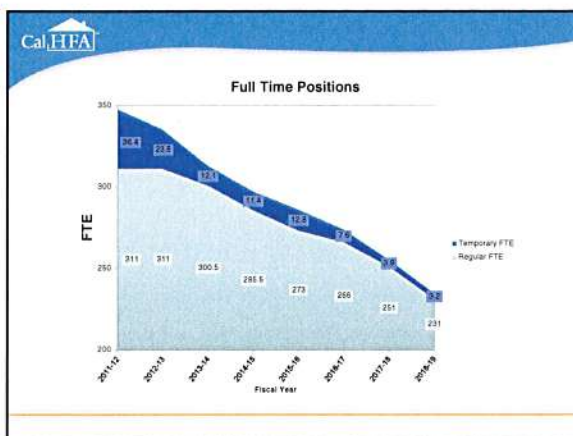
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CALIFORNIA HOUSING FINANCE AGENCY Fiscal Year 2018-19 BUDGET (in thousands)							
	Adopted Budget 2016-17	Adopted Budget 2016-18	Adopted Budget 2016-17	Adopted Budget 2017-18	Proposed Budget 2018-19	Variance FY 17/18 to FY 18/19	
<b>RESOURCES</b>							
Loan Servicing	3,000	2,967	1,953	2,200	1,500	(700)	-32%
Insurance Releasse	942	813	643	513	464	(40)	-10%
Loan Repayments	10,744	10,007	21,000	20,524	20,381	(2,133)	-8%
Interest (mortgages/secured/asset)	14,774	12,208	13,550	13,811	15,300	1,489	12%
Fee Income	11,314	27,582	24,872	30,812	31,321	(4,301)	-12%
Expenditure Items	8,603	3,000					0%
<b>TOTALS</b>	<b>\$ 49,774</b>	<b>\$ 60,580</b>	<b>\$ 60,923</b>	<b>\$ 77,460</b>	<b>\$ 71,878</b>	<b>\$ (5,582)</b>	<b>-7%</b>
<b>OPERATING BUDGET</b>							
Salaries and Benefits	29,984	29,595	29,683	29,131	28,642	(489)	-2%
Health Insurance	(460)	(534)	(550)	(510)	(528)	(11)	2%
Temp Services/Other	633	724	526	291	230	(51)	-21%
Personal Services	<b>30,157</b>	<b>29,785</b>	<b>29,659</b>	<b>28,912</b>	<b>28,344</b>	<b>(561)</b>	<b>-2%</b>
General Expense	877	641	604	827	722	(105)	-13%
Communications	467	400	414	440	415	(25)	-7%
Travel	360	414	480	553	587	44	8%
Training	134	160	175	200	206	6	3%
Facilities Operation	3,084	3,100	2,825	2,919	2,874	(55)	-2%
Consulting & Professional Services	4,803	4,458	3,851	3,460	3,008	(452)	-13%
Central Administrative Services	2,312	2,660	2,524	2,254	2,317	63	3%
Information Technology	563	602	604	619	653	40	7%
Equipment	220	200	230	230	130	(100)	-43%
Operating Expenses	<b>32,778</b>	<b>32,964</b>	<b>32,667</b>	<b>31,966</b>	<b>31,382</b>	<b>(584)</b>	<b>-2%</b>
<b>TOTALS</b>	<b>\$ 42,935</b>	<b>\$ 42,749</b>	<b>\$ 41,887</b>	<b>\$ 40,878</b>	<b>\$ 39,726</b>	<b>\$ (952)</b>	<b>-2%</b>
<b>NET SURPLUS/(EXPENDITURE)</b>	<b>\$ 6,839</b>	<b>\$ 17,831</b>	<b>\$ 20,558</b>	<b>\$ 36,582</b>	<b>\$ 32,152</b>	<b>\$ (4,430)</b>	<b>-12%</b>



Cal HFA

FY 2018-19  
Operating Budget

Questions?